

Message Text

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SUBJECT: 1980 TRADE AND ECONOMIC PROJECTIONS

REF: STATE A-1182; STATE 116723

1. THE PROJECTIONS FOR 1976-1980, HAVE USED A NEARLY UNIFORM RATE OF ANNUAL INCREASE WHICH AVERAGES 7.36 PERCENT PER YEAR FOR BOTH CURRENT AND CONSTANT PRICES. HISTORICALLY, INCREASES IN SPAIN'S IMPORTS (FOB AT CURRENT PRICES) HAVE FLUCTUATED TREMENDOUSLY: FROM 1962 THROUGH 1975 THE PERCENTAGE INCREASES OR DECREASES WERE 38.6, 25.1, 15.4, 33.8, 18.8, -300, 1.3, 19.2, 12.7, 5.0, 36.0 43.5, 60.2, AND 13.5

2. OMP'S PROJECTIONS IN CONSTANT PRICES ARE PROBABLY ON THE HIGH SIDE FOR THE NEXT COUPLE OF YEARS AT LEAST. UNOFFICIAL MINISTRY OF FINANCE PROJECTIONS FOR 1976 AND 1977 SHOW VOLUME INCREASES FOR IMPORTS OF 1 PERCENT AND 2 PERCENT RESPECTIVELY. THEY ALSO SHOW THE VALUE OF IMPORTS IN CURRENT DOLLARS INCREASING 8 PERCENT IN 1976 AND 11 PERCENT IN 1977.

THESE FIGURES ARE BASED ON INCREASES IN GDP OF 2 1/2 PERCENT, FIGURES WHICH COULD BE SLIGHTLY HIGH.

3. WE THINK SPANISH IMPORTS IN REAL TERMS FOR 1976 AND 1977 WILL PROBABLY INCREASE AT LESS THAN HALF THE RATE USED BY OMP. IN PART THIS WOULD REFLECT 10 PERCENT DEPRECIATION OF PESETA IN FEBRUARY 1976 AND THE POSSIBILITY THAT A FURTHER DECLINE IN THE VALUE OF THE PESETA WILL OCCUR OVER THE NEXT TWO YEARS.

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FOR THE FIRST QUARTER OF 1976 IMPORTS ACTUALLY DECLINED 66

PERCENT. BEYOND 1977 IMPORTS WILL PROBABLY INCREASE AT FASTER RATE, PERHAPS IN 5 TO 10 PERCENT RANGE IN CONSTANT PRICES, IF ECONOMIC ACTIVITY CONTINUES TO ACCELERATE. OF COURSE, WITH THE WORLD ECONOMIC SITUATION WHAT IT IS, PROJECTIONS BEYOND THE SHORT TERM BECOME INCREASINGLY MEANINGLESS.

4. GIVEN FACT THAT IMPORTS AT CURRENT PRICES INCREASED AN AVERAGE OF SOME 23 PERCENT A YEAR OVER PAST 14 YEARS, THE PROJECTION OF 7.36 PERCENT AVERAGE ANNUAL GROWTH AT CURRENT PRICES FOR 1976-1980 SEEMS LOW. WE WOULD ESTIMATE THAT IT MIGHT MORE LIKELY AVERAGE IN THE 10-15 PERCENT RANGE, POSSIBLE EVEN HIGHER.
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